

# **Large Industrial and Institutional Customer Perspective**

**ICC Workshop  
On  
Resource Adequacy in MISO Zone 4**

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**Jim Dauphinais  
Brubaker & Associates, Inc.  
on behalf of**



# Illinois Industrial Energy Consumers (IIEC)

- Association of large industrial and institutional retail electric, gas and water customers located in Illinois
- Has been a Non-Transmission Owning Member of MISO since MISO's inception
- Active in matters before both the ICC and FERC
- IIEC Members
  - Collectively consume approximately 13 million MWh annually
  - Collectively employ approximately 90,000 people in Illinois
  - Are located in both Northern (PJM) and Southern (MISO) Illinois
  - Some operate as their own ARES, operate behind the meter generation and/or have demand resources (interruptible load)

# Perspective

- Electricity costs are a significant part of IIEC member's operating costs
- For many of them, these costs determine their ability to compete in the US and in global markets
- All of them are critically interested in the receipt of reliable electric service at lowest reasonable cost
- They believe this can be best achieved by allowing them to directly manage their acquisition of capacity, energy and ancillary services through well functioning competitive electricity markets

# State of Resource Adequacy

- Except for a few bumps in the road, believe the retail electricity market in Illinois has been very successful
- Believe it is imperative for it to continue to do so
- Per 2017 OMS MISO Survey
  - Through at least 2022, MISO Zone 4 is projected to have a 400 to 1,500 MW capacity surplus
  - Similarly, the overall MISO North/Central subregion, of which Zone 4 is a part, has a projected surplus of 700 to 4,700 MW
- MISO Zone 4 can currently import up to 4,600 MW of its total capacity need of approximately 10,000 MW
- In 2017, 84% of the total capacity need in MISO Zone 4 was met using either a FRAP or a self-schedule – not the MISO Planning Resource Auction (PRA)

# ICC Staff's Potential Options

1. Rely on Existing Competitive Forces and Market Structures
2. Impose Additional Capacity Requirements on Illinois LSEs
3. Create an Illinois Resource Adequacy Portfolio
4. Reconfiguring RTO Participation

# IIEC Conclusions

- Significant capacity surpluses are currently projected through at least 2022 and the Illinois market is only making limited use of the MISO PRA
- Therefore, there is currently no evidence of a looming resource adequacy problem in MISO Zone 4
- There are significant issues associated with adding additional resource adequacy requirements, instituting an Illinois resource adequacy portfolio standard or changing the RTO configuration

# IIEC Recommendation

- Given there is currently no looming resource adequacy problem in MISO Zone 4 and the significant issues associated with the other potential options, IIEC recommends:
  - Illinois continue to utilize the existing competitive forces and market structures with reasonable reforms added to improve transparency and price formation

# IIEC's Recommended Reforms

1. Improve the OMS MISO Survey
2. Improve the Lead Time and Transparency of Generation Suspension and Retirement Notices to MISO
3. Develop Forward Capacity Market Price Indices
4. Cautiously Explore Raising the Maximum Auction Clearing Price allowed in the MISO PRA



# QUESTIONS

Note: Additional detail on IIEC's concerns and recommendations, along with a listing of abbreviations, is included in the attached Appendix to this presentation

# APPENDIX

# Issues with Additional Resource Adequacy Requirements (FRAP Requirement Alternative)

- FRAP Requirement placed on ARES
  - Customers would lose access to self-scheduling and the MISO PRA
  - Customers would lose the market power abuse protections of the MISO PRA
  - The ability of customers to manage their cost of capacity within their risk tolerance would be inhibited by the FRAP requirement limiting how soon prior to the PRA the customer could bilaterally contract for capacity

# Issues with Additional Resource Adequacy Requirements (IPA Procurement Alternative)

- Illinois Power Agency (IPA) Procures all capacity
  - Completely eliminates ability of customers to manage their cost of capacity within their risk tolerance
  - The market power abuse protections of the MISO PRA are still lost because Illinois cannot force wholesale suppliers to sell capacity to the IPA
  - May eliminate the current ability of customers to self-supply their capacity through their behind the meter generation or the interruptibility of their load

# Issues with the Creation of an Illinois Resource Adequacy Portfolio Requirement

- Would amount to customers paying a subsidy to suppliers that would be very difficult to end once started
- Would contribute the cascade of subsidies that have already been put in place
  - Federal Production Tax Credits, Illinois Renewable Portfolio Standard, Illinois Zero Emission Standard, etc.
  - Undermines ability of IIEC's members to compete globally and sustain their operations in Illinois
- Antithesis to the Competitive Market – a return to the non-competitive world that mandates purchase, but this time without regulatory protections

# Issues with Reconfiguring RTO Participation

- Currently large exit fees would have to be paid not just for MISO's facilities, but also for MISO's \$6 billion Multi-value Transmission Projects (MVP) Portfolio
- Ameren Illinois customers cannot benefit from the MVPs if Ameren Illinois leaves MISO for PJM
- IIEC's members have not found PJM's capacity market structure to be superior to MISO's capacity market structure
  - IIEC's members in PJM have paid more for the electric power than IIEC's members in MISO, but have not received electric service any more reliable than that received within MISO

# IIEC Recommended Reform #1

## Improve the OMS MISO Survey

- Issues
  - Amount of capacity that can be imported and exported from each zone is not clear on summary bar charts
  - Not clear whether the appropriate amount of planned generation is being reflected in the summary bar charts
  - Appears that no input is being collected from Illinois ARES
- Recommendation
  - Make improvements to the OMS MISO Survey to address all of the above such that it provides a very good 5-year forward looking projection of supply and demand that is very coherently communicated with minimal risk of misinterpretation

# IIEC Recommended Reform #2

## Improve the Lead Time and Transparency of Generation Suspension and Retirement Notices to MISO

- **Issues**
  - The current 26 week notice for generation suspensions and retirements only provides a limited amount of time for the market react to the change in the supply of capacity
  - Notices are held confidential by MISO unless the generator may be needed for transmission reliability
- **Recommendations**
  - Increase the notice requirements for suspensions and retirements from 26 weeks to 52 weeks to provide more time for the market to react
  - Eliminate the confidentiality of the notices to ensure that the market has the latest available information on the expected future balance between supply and demand for capacity



# IIEC Recommended Reform #3

## Develop Forward Capacity Market Price Indices

- Issues
  - The forward capacity market lacks access to the market price indices similar to those for the forward energy market
  - This interferes with the forward market visibility necessary to facilitate a liquid and transparent forward market for capacity
- Recommendation
  - MISO, Ameren Illinois and/or the ICC work with industry trade press and stakeholders to help jump start the collection and compilation of the information necessary for the trade press to publish frequent periodic survey results on weighted average trading prices for capacity for MISO Zone 4 for future MISO Planning Years

# IIEC Recommended Reform #4

## Cautiously Explore Raising the Maximum Auction Clearing Price allowed in the MISO PRA

- Issue
  - Customers engage in forward bilateral contracting to manage their price risk
  - Customer risk is capped at the maximum allowed MISO PRA Price (currently the gross Cost of New Entry (CONE))
  - Net CONE (gross CONE less expected energy and ancillary service margins) is needed for new generation entry
  - The risk of paying gross CONE may not be enough for customers to be willing to forward contract at net CONE when the market needs entry of new generation
- Recommendation
  - Cautiously explore raising the maximum clearing price allowed in the MISO PRA

# ABBREVIATIONS

# Abbreviations

- ARES – Alternative Retail Electric Supplier
- CONE – Cost of New Entry
- FERC – Federal Energy Regulatory Commission
- FRAP – Fixed Resource Adequacy Plan
- ICC – Illinois Commerce Commission
- IIEC – Illinois Industrial Energy Consumers
- MISO – Midcontinent Independent System Operator, Inc.
- OMS – Organization of MISO States
- PJM – PJM Interconnection, LLC
- PRA – Planning Resource Auction



**Jim Dauphinais**

[jdauphinais@consultbai.com](mailto:jdauphinais@consultbai.com)

16690 Swingley Ridge Road, Suite 140

Chesterfield, Missouri 63017

Phone: (636) 898-6725

Fax: (636) 898-6726

[www.consultbai.com](http://www.consultbai.com)

